

Selloff hits PCS Wireless shares

BY ANDREW BELL
Investment Reporter

Shares in high-flying **PCS Wireless Inc.** fell 23 per cent on Friday, but at least two analysts say it was probably just an overreaction by speculative investors.

"It really is a fantastic company with just enormously strong prospects," said Richard Piotrowski, an analyst at Sprott Securities Ltd.

The stock was halted at \$2.15 on the Vancouver Stock Exchange, down 65 cents from the previous day, and didn't resume trading. The shares have soared from 50 cents in February.

Company watchers seem to agree that Friday's selloff was sparked by news that Sprint Corp.'s alliance with three large cable-television companies has picked "code-division, multiple-access" or CDMA technology to pro-

vide wireless personal communications services (PCS) that are intended to be the next generation of portable phones.

The decision by Sprint means CDMA could become the technology of choice for PCS in the United States.

Vancouver-based PCS Wireless supplies the antenna that allows PCS providers to extend the reach of their base stations by piggy-backing the telephone signal on existing coaxial cable networks.

On the face of it, the Sprint decision to go with CDMA technology would be a plus for PCS Wireless.

Market watchers said, however, that the stock slid because the Sprint decision is seen as a blow for manufacturers like **L. M. Ericsson Telephone Co. Inc.** of Sweden, which makes PCS products based

on rival technology. PCS Wireless has signed a contract with Ericsson that could eventually be worth \$37-million.

But the company also has carried out CDMA-based trials of its equipment with U.S. communications giants Motorola Inc. (with which it also has a contract) and AT&T Corp., as well as with the Sprint alliance.

PCS Wireless executive vice-president Derek Spratt said the company can "rapidly move toward high-volume CDMA production before year-end." But he added: "Ericsson has no intent or plans to cancel" its order.

"Because we've got a lot of VSE-type investors and people that are looking for the quick return, they panic," Mr. Spratt said. The company is working on obtaining a To-

ronto Stock Exchange listing, he added.

CDMA is a new technology, which means revenue and profit for PCS Wireless may be delayed by a few months, said Sprott's Mr. Piotrowski. "With CDMA, it's going to take bit longer, because it's a very new technology.

"The revenues of PCS are going to [be delayed] for about a quarter. It doesn't change the long term at all."

He said it's likely that speculators were selling PCS Wireless shares on Friday. "There are a lot of traders in this stock."

"There's a lot of small investors in here," said Cannacord Capital Corp. analyst Matthew Cicci. "The stable money is usually the institutions."

With files from Bloomberg.